

**OSCEOLA COUNTY ECONOMIC
DEVELOPMENT COMMISSION**

**INDEPENDENT AUDITOR'S REPORTS
FINANCIAL STATEMENTS AND
SUPPLEMENTAL INFORMATION
SCHEDULE OF FINDINGS**

JUNE 30, 2004

DAVID A. MASKE
CERTIFIED PUBLIC ACCOUNTANT
SPENCER, IOWA

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OSCEOLA COUNTY ECONOMIC DEVELOPMENT COMMISSION

OFFICIALS

<u>NAME</u>	<u>TITLE</u>	<u>REPRESENTING</u>
(Before January, 2004)		
Harris Kruse	Chairman	City of Sibley
Brian Mino	Vice-Chairman	City of Ashton
John Benz	Treasurer	City of Melvin
Daryl Streng	Board of Directors	Osceola County
Al Breuker	Board of Directors	City of Harris
Clyde Hoekstra	Board of Directors	City of Ochevedan
Clarence Hellenga	Board of Directors	City of Ochevedan (Alternate)
Kirk Grau	Executive Director	
Jodi Nasers	Administrative Assistant	
(After January, 2004)		
Daryl Streng	Chairman	Osceola County
Kevin Espy	Vice Chairman	City of Ochevedan
John Benz	Treasurer	City of Melvin
Brian Mino	Board of Directors	City of Ashton
Harris Kruse	Board of Directors	City of Sibley
Kirk Grau	Executive Director	
Jodi Nasers	Administrative Assistant	

DAVID A. MASKE

Certified Public Accountant

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INDEPENDENT AUDITOR'S REPORT

To the Board of Directors
Osceola County Economic Development Commission
Sibley, Iowa

I have audited the accompanying financial statements, listed as exhibits in the table of contents of this report, of the Osceola County Economic Development Commission as of and for the year ended June 30, 2004. These financial statements are the responsibility of Osceola County Economic Development Commission's management. My responsibility is to express an opinion on these financial statements based on my audit.

I conducted my audit in accordance with U.S. generally accepted auditing standards, Chapter 11 of the Code of Iowa, and the standards applicable to the financial audits contained in Government Auditing Standards, issued by the Comptroller General of the United States. Those standards and provisions require that I plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. I believe that my audit provides a reasonable basis for my opinion.

In my opinion, the financial statements referred to above present fairly, in all material respects, the financial position of the Osceola County Economic Development Commission at June 30, 2004 and the results of its operations for the year then ended in conformity with U.S. generally accepted accounting principles.

As discussed in Note 8 during the year ended June 30, 2004, the Commission adopted Governmental Accounting Standards Board Statement No. 34, Basic Financial Statements – and Management's Discussion and Analysis – for State and Local Governments; Statement No. 37, Basic Financial Statements – and Management's Discussion and Analysis – for State and Local Governments: Omnibus; Statement No. 38, Certain Financial Statement Note Disclosures; and Statement No. 41, Budgetary Comparison Schedule - Perspective Differences.

In accordance with Government Auditing Standards, I have also issued my report dated November 16, 2004 on my consideration of the Osceola County Economic Development Commission's internal control over financial reporting and my tests of its compliance with certain provisions of laws, regulations, and contracts. That report is an integral part of an audit performed in accordance with Governmental Auditing Standards and should be read in conjunction with this report in considering the results of my audit.

Management's Discussion and Analysis and budgetary comparison information on pages 3 through 4 and 11 are not required parts of the basic financial statements, but are supplementary information required by the governmental Accounting Standards Board. I applied limited procedures, which consisted principally of inquiries of management regarding the methods of measurement and presentation of the supplementary information. I did not audit the information and express no opinion on it.

DAVID A. MASKE
Certified Public Accountant

November 16, 2004

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OSCEOLA COUNTY ECONOMIC DEVELOPMENT COMMISSION MANAGEMENT'S DISCUSSION AND ANALYSIS FOR THE YEAR ENDED JUNE 30, 2004

Osceola County Economic Development Commission provides this Management's Discussion and Analysis of its financial statements. This narrative overview and analysis of the financial activities is for the fiscal year ended June 30, 2004. We encourage readers to consider this information in conjunction with the Commission's financial statements, which follow.

2004 FINANCIAL HIGHLIGHTS

- Operating revenue of the total activities decreased .8%, or approximately \$900 from fiscal 2003 to fiscal 2004.
- Operating expenses decreased 7.4%, or approximately \$8,100 in fiscal 2004 from fiscal 2003.
- The total net assets increased 1%, or approximately \$6,600 from June 30, 2003 to June 30, 2004. Total liabilities decreased 37% or approximately \$3,400.

USING THIS ANNUAL REPORT

The annual report consists of a series of financial statements and other information as follows:

Management's Discussion and Analysis introduces the basic financial statements and provides an analytical overview of the Commission's financial activities.

The Commission's basic financial statements consist of statement of net assets and statement of activities. The statements provide information about the activities of the Commission as a whole and present an overall view of the Commission's finances.

Notes to financial statements provide additional information essential to a full understanding of the data provided in the basic financial statements.

Required Supplementary Information further explains and supports the financial statements with a comparison of the Commission's budget for the year.

BASIS OF ACCOUNTING

The Commission maintains its financial records on accrual basis and the financial statements of the Commission are prepared on that basis.

REPORTING THE COMMISSION'S FINANCIAL ACTIVITIES

One of the most important questions asked about the Commission's finances is, "Is the Commission as a whole better off or worse off as a result of the year's activities?" The statement of net assets reports information which helps answer this question.

Over time, increases or decreases in the Commission's net assets may serve as a useful indicator of whether the financial position of the Commission is improving or deteriorating.

Financial Statements

The required financial statements include a statement of activities.

COMMISSION WIDE FINANCIAL ANALYSIS

A summary of the changes in investment in Commission follows:

	YEAR ENDED JUNE 30,	
	2004	2003
REVENUE:		
General	\$ 93,403	\$ 94,634
Revolving Loan	11,074	15,005
Spec Loan.....	52	89
Chatroom	<u>6,892</u>	<u>2,600</u>
TOTAL REVENUE	<u>\$ 111,421</u>	<u>\$ 112,328</u>
EXPENSES:		
General	\$ 95,939	\$ 96,834
Revolving Loan	1,617	9,583
Spec Loan.....	-0-	-0-
Chatroom	<u>3,946</u>	<u>3,221</u>
TOTAL EXPENSES	<u>\$ 101,502</u>	<u>\$ 109,638</u>
EXCESS OF REVENUES OVER EXPENDITURES	\$ 9,919	\$ 2,690
NET ASSETS – BEGINNING OF YEAR	661,829	659,086
PREPAID EXPENDITURE RESERVE	<u>54</u>	<u>53</u>
NET ASSETS – END OF YEAR	<u>\$ 671,802</u>	<u>\$ 661,829</u>

BUDGETARY HIGHLIGHTS

Over the course of the year, the Commission did not exceed its budget.

DEBT ADMINISTRATION

The Commission had no outstanding notes or bonds during the year.

CONTACTING THE COMMISSION'S FINANCIAL MANAGEMENT

This financial report is designed to provide our citizens, taxpayers, customers, and creditors with a general overview of the Commission's finances and to show the Commission's accountability for the money it received

BASIC FINANCIAL STATEMENTS

OSCEOLA COUNTY ECONOMIC DEVELOPMENT COMMISSION

STATEMENT OF NET ASSETS ALL FUNDS AND ACCOUNT GROUPS JUNE 30, 2004

	GOVERNMENTAL FUNDS					
	-----SPECIAL REVENUE FUNDS-----					
	GENERAL FUND	REVOLVING LOAN FUND	SPEC PROPERTY LOAN FUND	CHATROOM	TOTAL (MEMORANDUM ONLY)	
ASSETS AND OTHER DEBITS						
Cash in Bank.....	\$ 13,015	\$ 276,240	\$ 7,628	\$ 5,986	\$ 302,869	
Petty Cash.....	100	-0-	-0-	-0-	100	
Certificates of Deposit	50,000	125,000	-0-	-0-	175,000	
Interest Receivable	1,325	1,862	-0-	-0-	3,187	
Prepaid Expenditures	534	-0-	-0-	-0-	534	
Notes Receivable (Note 3)	-0-	184,305	-0-	-0-	184,305	
Notes Receivable – Related Parties (Note 3)	-0-	-0-	9,200	-0-	9,200	
Equipment (Note 4) – Net of Accumulated Depreciation	<u>2,338</u>	<u>-0-</u>	<u>-0-</u>	<u>-0-</u>	<u>2,338</u>	
TOTAL ASSETS AND OTHER DEBITS	<u>\$ 67,312</u>	<u>\$ 587,407</u>	<u>\$ 16,828</u>	<u>\$ 5,986</u>	<u>\$ 677,533</u>	
LIABILITIES AND NET ASSETS						
Liabilities:						
Payroll Taxes Payable.....	\$ 3,231	\$ -0-	\$ -0-	\$ -0-	\$ 3,231	
Compensated Absences (Note 5)	<u>2,500</u>	<u>-0-</u>	<u>-0-</u>	<u>-0-</u>	<u>2,500</u>	
TOTAL LIABILITIES	<u>\$ 5,731</u>	<u>\$ -0-</u>	<u>\$ -0-</u>	<u>\$ -0-</u>	<u>\$ 5,731</u>	
Net Assets:						
Fund Balances:						
Reserved for Prepaid Expenditures.....	\$ 534	\$ -0-	\$ -0-	\$ -0-	\$ 534	
Restricted for Notes Receivable	-0-	184,305	9,200	-0-	193,505	
Unreserved	<u>61,047</u>	<u>403,102</u>	<u>7,628</u>	<u>5,986</u>	<u>477,763</u>	
TOTAL NET ASSETS	<u>\$ 61,581</u>	<u>\$ 587,407</u>	<u>\$ 16,828</u>	<u>\$ 5,986</u>	<u>\$ 671,802</u>	
TOTAL LIABILITIES AND NET ASSETS	<u>\$ 67,312</u>	<u>\$ 587,407</u>	<u>\$ 16,828</u>	<u>\$ 5,986</u>	<u>\$ 677,533</u>	

See Notes to Financial Statements.

OSCEOLA COUNTY ECONOMIC DEVELOPMENT COMMISSION

STATEMENT OF ACTIVITIES ALL FUNDS YEAR ENDED JUNE 30, 2004

	GOVERNMENTAL FUNDS					
	-----SPECIAL REVENUE FUNDS-----					
	GENERAL FUND	REVOLVING LOAN FUND	SPEC PROPERTY LOAN FUND	CHATROOM	TOTAL (MEMORANDUM ONLY)	
REVENUES:						
Contributions from Public Entity						
Members – Related Party	\$ 92,048	\$ -0-	\$ -0-	\$ -0-	\$ 92,048	
Contributions – Other Members	500	-0-	-0-	-0-	500	
Donations	-0-	-0-	-0-	6,892	6,892	
Interest Income – Banks	634	1,724	52	-0-	2,410	
Interest Income – Notes	-0-	8,730	-0-	-0-	8,730	
Revolving Loan Fund Fees	-0-	620	-0-	-0-	620	
Miscellaneous	221	-0-	-0-	-0-	221	
TOTAL REVENUES	<u>\$ 93,403</u>	<u>\$ 11,074</u>	<u>\$ 52</u>	<u>\$ 6,892</u>	<u>\$ 111,421</u>	
EXPENDITURES:						
Operating:						
Salaries	\$ 66,546	\$ -0-	\$ -0-	\$ -0-	\$ 66,546	
IPERS	3,826	-0-	-0-	-0-	3,826	
Payroll Taxes	5,650	-0-	-0-	-0-	5,650	
Employee Benefits	6,610	-0-	-0-	-0-	6,610	
Workman's Compensation	661	-0-	-0-	-0-	661	
Travel and Meals.....	560	-0-	-0-	-0-	560	
Auto Allowance	2,400	-0-	-0-	-0-	2,400	
Professional Fees	2,670	-0-	-0-	-0-	2,670	
Postage	503	-0-	-0-	-0-	503	
Office Expense	1,611	-0-	-0-	-0-	1,611	
Loan Fees and Expenses	-0-	1,617	-0-	-0-	1,617	
Bond Insurance	434	-0-	-0-	-0-	434	
Telephone	2,295	-0-	-0-	-0-	2,295	
Publications/Professional Dues	644	-0-	-0-	-0-	644	
Project Materials	-0-	-0-	-0-	3,946	3,946	
Special Projects	419	-0-	-0-	-0-	419	
Tech and Website Management	1,110	-0-	-0-	-0-	1,110	
TOTAL EXPENDITURES	<u>\$ 95,939</u>	<u>\$ 1,617</u>	<u>\$ -0-</u>	<u>\$ 3,946</u>	<u>\$ 101,502</u>	
EXCESS (DEFICIENCY) OF REVENUES OVER-EXPENDITURES	\$ (2,536)	\$ 9,457	\$ 52	\$ 2,946	\$ 9,919	
NET ASSETS – BEGINNING OF YEAR	64,404	577,646	16,776	3,003	661,829	
Inter-Fund Transfer	(341)	304	-0-	37	-0-	
Prepaid Expenditures Reserve	<u>54</u>	<u>-0-</u>	<u>-0-</u>	<u>-0-</u>	<u>54</u>	
NET ASSETS – END OF YEAR	<u>\$ 61,581</u>	<u>\$ 587,407</u>	<u>\$ 16,828</u>	<u>\$ 5,986</u>	<u>\$ 671,802</u>	

See Notes to Financial Statements.

OSCEOLA COUNTY ECONOMIC DEVELOPMENT COMMISSION

NOTES TO FINANCIAL STATEMENTS JUNE 30, 2004

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The Osceola County Economic Development Commission (OCEDC) was formed July 1, 1988, under an intergovernmental agreement pursuant to the Chapter 28E of the Code of Iowa as a separate entity for legal purposes. This agreement was made by and among the County of Osceola, Iowa, and the Cities of Ashton, Harris, Melvin, Ocheyedon, and Sibley, Iowa.

The governmental commission consists of a representative appointed by the Osceola County Board of Supervisors, and one representative appointed by each City Council of the following cities: Ashton, Harris, Melvin, Ocheyedon, and Sibley. Each representative has one vote.

A) REPORTING ENTITY

For financial reporting purposes, the Commission has included all funds, organizations, account groups, agencies, boards, commissions, and authorities. The OCEDC has also considered all potential component units for which it is financially accountable, and other organizations for which the nature and significance of their relationship with the OCEDC are such that exclusion would cause the OCEDC's financial statements to be misleading or incomplete. The Governmental Accounting Standards Board has set forth criteria to be considered in determining financial accountability. These criteria include appointing a voting majority of an organization's governing body, and (1) the ability of the OCEDC to impose its will on that organization or (2) the potential for the organization to provide specific benefits to, or impose specific financial burdens on the OCEDC. The OCEDC has no component units which meet the Governmental Accounting Standards Board criteria.

B) BASIS OF PRESENTATION – COMMISISON-WIDE FINANCIAL STATEMENTS

The Statements of Net Assets and Activities reports information on all of the activities of the Commission. Restricted Assets are those constrained by external rules and regulations. Unrestricted Assets are not constrained by outside rules or regulations.

The Commission identifies the following major funds:

General Fund – The General Fund is the general operating fund of the Commission. All contributions agreed to by the different entities within the intergovernmental agreement and other receipts not allocated by law or contractual agreement o some other fund are accounted for in this fund. From the fund are paid the general operating expenditures and fixed charges that are not paid from other funds.

Special Revenue Funds – The Special Revenue Funds are used to account for revenues derived from specific sources which are usually required by law, regulation, or the Commission's officials to be accounted for in separate funds.

The following are the Special Revenue Funds maintained by the OCEDC:

Revolving Loan Fund – The Revolving Loan Fund is used to provide financial assistance to attract, retain, or expand business that would generate public gains and benefits within Osceola County. The contributions to this fund were originally provide d by Osceola County and the Cities of Ashton, Harris, Melvin, Ocheyedon, and Sibley. These funds are loaned out to businesses with a pay back period of not more than ten years. All interest earned stays within the fund.

Spec Property Loan Fund – The Spec Property Loan Fund is used to provide financial assistance to development corporations for new construction, purchase of existing commercial/retail property, acquisitions of land, and/or demolition or renovation of spec property within the Cities of Ashton, Harris, Melvin, Ocheyedon, and Sibley, Iowa. These funds are targeted toward properties which potentially generate public gains and benefits. Funds can be used for a 0% or low-interest loan which would be paid back to the pool when the property is sold. All interest earned stays in the fund.

Chatroom – The Chatroom Fund is an after-school home work program for students. It is funded by the State of Iowa, DHS, and donations; it is administered by OCEDC.

OSCEOLA COUNTY ECONOMIC DEVELOPMENT COMMISSION

NOTES TO FINANCIAL STATEMENTS JUNE 30, 2004

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES – CONTINUED

C) MEASUREMENT FOCUS

Governmental Funds are accounted for on a spending or “financial flow” measurement focus. This means that only current assets and current liabilities are generally included on their balance sheets. Their reported fund balance is considered a measure of “available spendable resources”. Governmental Fund operating statements present increases, revenues, and other financing sources, and decreases, expenditures and other financing uses in net current assets. Accordingly, they are said to present a summary of sources and uses of “available spendable resources” during a period.

To properly account for the notes receivable, the notes receivable are shown on the OCEDC’s balance sheet, even though some of the notes receivable balance is not considered to be a current asset. Although all the notes receivable balance is measurable, some of the notes receivable balance is not available. Available means collectible within the current period or soon enough thereafter to be used to pay liabilities of the current period. The account, fund balances – reserved for notes receivable, represents the amount of the notes receivable and the resulting fund balance that is not available within the current period or soon enough thereafter to be used to pay liabilities of the current period (see Note 3 for non-current amounts).

D) BASIS OF ACCOUNTING

Basis of accounting refers to when revenues and expenses are recognized in the accounts and reported in the financial statements. Basis of accounting relates to the timing of the measurements made, regardless of the measurement focus applied.

All Governmental Funds are accounted for using the modified accrual basis of accounting. Under the modified accrual basis of accounting, revenues are recorded when they become both measurable and available. Available means collected soon enough, or expected to be collected soon enough, thereafter to be used to pay liabilities of the current period. Expenditures are recorded when the liability is incurred.

E) ASSETS, LIABILITIES AND FUND EQUITY

The following accounting policies are followed in preparing the statement of net assets:

Prepaid Expenditures – Prepaid expenditures represent expenditures, for other than inventory or fixed assets, that will benefit a future fiscal year. The cost is recorded as an expenditure at the time the prepaid item is purchased. Reported prepaids are equally offset by a fund balance reserve which indicates that the reported prepaids are not available to liquidate current obligations.

Compensated Absences – OCEDC employees accumulate a limited amount of earned but unused vacation hours for subsequent use or for payment upon termination, death, or retirement. Sick pay is also accumulated on a limited basis by employees for subsequent use, but is not paid upon termination, death, or retirement. The cost of vacation termination payments expected to be liquidated is recorded as a liability of the General Fund. The compensated absences liability has been computed based on rates of pay in effect at June 30, 2004.

F) BUDGETS AND BUDGETARY ACCOUNTING

The OCEDC’s officials annually adopt a budget on the accrual basis for the General Fund. The budget may be amended during the year.

G) TOTAL (MEMORANDUM ONLY)

The total column on the balance sheet and the statement of revenues, expenditures, and changes in fund balances is captioned “Memorandum Only” to indicate that it is presented only to facilitate financial analysis. Data in these columns do not present financial position on results of operations in conformity with generally accepted accounting principles. Neither is such data comparable to a consolidation. Interfund eliminations have not been made in the aggregation of this data.

OSCEOLA COUNTY ECONOMIC DEVELOPMENT COMMISSION

NOTES TO FINANCIAL STATEMENTS JUNE 30, 2004

NOTE 2 – DEPOSITS AND POOLED INVESTMENTS

The OCEDC's deposits in banks at June 30, 2004, were entirely covered by federal depository insurance or by the State Sinking Fund in accordance with Chapter 12C of the Code of Iowa. This chapter provides for additional assessments against the depositories to insure there will be no loss of public funds.

The OCEDC is authorized by statute to invest public funds in obligations of the United States government, its agencies and instrumentalities; certificates of deposit or other evidences of deposit at federal insured depository institutions approved by the OCEDC's Board of Directors, prime eligible banker acceptances; certain high rated commercial paper; perfected repurchase agreements; certain registered open-end management investment companies, certain joint investment trusts; and warrants or improvement certificates of a drainage district.

The OCEDC has its cash invested in interest bearing bank accounts and certificates of deposit located in banking institutions within Osceola County. OCEDC has no other investments. The OCEDC also earns interest from direct notes receivable (see Note 3). The interest earned on the cash accounts, certificates of deposit and notes receivable are recorded and maintained in the appropriate funds.

NOTE 3 – NOTES RECEIVABLE AND NOTES RECEIVABLE – RELATED PARTIES

A) REVOLVING LOAN FUND

The OCEDC's mission of implementing economic development projects within Osceola County is being accomplished by the lending of monies for various economic development projects at a reasonable rate of interest.

The notes issued carry an interest rate from 3% to 9.75%. The terms of notes vary from three years to five years, with some extensions granted for hardships that meet certain criteria. The amount shown on the statement of net assets as of June 30, 2004, reflects the amount due on those notes receivable as of that date and is computed as follows:

Balance on June 30, 2003.....	\$	288,614
Payments on Principal.....		(122,359)
New Notes Issued.....		18,050
Balance on June 30, 2004.....	\$	<u>184,305</u>

Loans are carried as notes receivable until deemed uncollectible. As of June 30, 2004, no notes were deemed uncollectible.

B) SPEC PROPERTY LOAN FUND

The notes issued carry an interest rate of 0%. The terms of the notes run until the spec property is sold. The notes receivable are with some of the Cities which are member of the OCEDC and are therefore considered to be with related parties.

Changes in notes receivable are as follows:

Balance on June 30, 2003.....	\$	<u>9,200</u>
Balance on June 30, 2004.....	\$	<u>9,200</u>

All the loans are considered non-current.

OSCEOLA COUNTY ECONOMIC DEVELOPMENT COMMISSION

NOTES TO FINANCIAL STATEMENTS JUNE 30, 2004

NOTE 4 – EQUIPMENT

A summary of changes, if any, in equipment comprising general fixed assets for the year ended June 30, 2004, is as follows:

	BALANCE BEGINNING OF YEAR	ADDITIONS	DELETIONS	BALANCE END OF YEAR
Equipment.....	\$ 9,592	\$ 2,338	\$ 2,497	\$ 9,433
Accumulated Depreciation.....	\$ 9,592	\$ -0-	\$ 2,497	\$ 7,095

NOTE 5 – CHANGES IN COMPENSATED ABSENCES

A summary of changes in compensated absences for the year ended June 30, 2004, is as follows:

	COMPENSATED ABSENCES
Balance – Beginning of Year	\$ 2,500
Additions	-0-
Reductions	-0-
Balance – End of Year	\$ 2,500

NOTE 6 – PENSION AND RETIREMENT BENEFITS

The OCEDC contributes to the Iowa Public Employees Retirement System (IPERS) which is a cost-sharing multiple-employer defined benefit pension plan administered by the State of Iowa. IPERS provides retirement and death benefits which are established by state statute to plan members and beneficiaries. IPERS issues a publicly available financial report that includes financial statements and required supplementary information. The report may be obtained by writing to IPERS, P.O. Box 9117, Des Moines, IA 50306-9117.

Plan members are required to contribute 3.70% of their annual covered salary and the OCEDC is required to contribute 5.75% of annual covered payroll. Contribution requirements are established by state statute. The Commission's contribution (cash basis) to IPERS for the years ended June 30, 2004, 2003, and 2002 were \$3,793, \$3,731, and \$3,995, respectively, equal to the required contributions for each year.

NOTE 7 – RISK MANAGEMENT

The OCEDC is exposed to various risks of loss related to torts; theft of, damage to and destruction of assets; errors and omissions; injuries to employees; and natural disasters. These risks are covered by commercial insurance provided mainly through Osceola County's insurance carrier and policies, with some commercial insurance purchased from independent third parties. The Commission assumes liability for any deductibles and claims in excess of coverage limitations. Settled claims from these risks have not exceeded commercial insurance coverage in any of the past three fiscal years.

NOTE 8 – MAJOR CONTRIBUTORS

The City of Sibley and Osceola County are major contributors to the General Fund. Contributions amounted to \$42,614 (46% of total contributions from public entity members) and \$42,614 (46% of total contributions from public entity members), respectively for the fiscal year ended June 30, 2004.

NOTE 9 – ACCOUNTING CHANGE:

Governmental Accounting Standards Boards Statement No. 34, Basic Financial Statements – and Management's Discussion and Analysis – for State and Local Governments; Statement No. 37, Basic Financial Statements – and Management's Discussion and Analysis – for State and Local Governments: Omnibus; and Statement No. 38, Certain Financial Statement Note Disclosures were implemented for the year ending June 30, 2004.

REQUIRED SUPPLEMENTARY INFORMATION

OSCEOLA COUNTY ECONOMIC DEVELOPMENT COMMISSION

BUDGETARY COMPARISON SCHEDULE RECEIPTS, DISBURSEMENTS AND CHANGES IN BALANCES ACTUAL TO BUDGET – GENERAL FUND YEAR ENDED JUNE 30, 2004

	ACTUAL	BUDGET	VARIANCE FAVORABLE (UNFAVORABLE)
RECEIPTS:			
Contributions from Public Entity			
Members – Related Party	\$ 92,048	\$ 87,786	\$ 4,262
Interest Income – Banks	634	5,973	(5,339)
Miscellaneous	<u>721</u>	<u>6,640</u>	<u>(5,919)</u>
TOTAL RECEIPTS	<u>\$ 93,403</u>	<u>\$ 100,399</u>	<u>\$ (6,996)</u>
DISBURSEMENTS:			
Operating:			
Salaries	\$ 66,546	\$ 67,500	\$ 954
Payroll Taxes and IPERS	9,476	9,538	62
Employee Benefits	6,610	7,873	1,263
Workers' Compensation	661	634	(27)
Travel and Meals	560	328	(232)
Auto Allowance	2,400	2,400	-0-
Professional	2,670	3,852	1,182
Postage	503	1,000	497
Bond Insurance	434	434	-0-
Telephone	2,295	2,500	205
Publications / Professional Dues	644	500	(144)
Special Projects	419	1,500	1,081
Tech and Website Management	1,110	840	(270)
Office Expense	<u>1,611</u>	<u>1,500</u>	<u>(111)</u>
TOTAL DISBURSEMENTS	<u>\$ 95,939</u>	<u>\$ 100,399</u>	<u>\$ 4,460</u>
EXCESS (DEFICIENCY) OF RECEIPTS OVER DISBURSEMENTS	\$ (2,536)	<u>\$ -0-</u>	<u>\$ (2,536)</u>
Transfer	(287)		
NET ASSETS – BEGINNING OF YEAR	<u>64,404</u>		
NET ASSETS – END OF YEAR	<u><u>\$ 61,581</u></u>		

See Accompanying Independent Auditor's Report.

OSCEOLA COUNTY ECONOMIC DEVELOPMENT COMMISSION
NOTES TO REQUIRED SUPPLEMENTARY INFORMATION – BUDGETARY REPORTING
YEAR ENDED JUNE 30, 2004

In accordance with the Code of Iowa, the Board of Directors annually adopts a budget, following required public notice and hearing. The budget may be amended during the year utilizing similar statutorily prescribed procedures

During the year ended June 30, 2004, the Commission did not exceed its budget

DAVID A. MASKE

Certified Public Accountant

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INDEPENDENT AUDITOR'S REPORT ON COMPLIANCE AND ON INTERNAL CONTROL OVER FINANCIAL REPORTING

To the Officials of the Osceola County
Economic Development Commission

I have audited the financial statements of Osceola County Economic Development Commission (OCEDC) as of and for the year ended June 30, 2004, and have issued my report thereon dated November 16, 2004. I conducted my audit in accordance with U.S. generally accepted auditing standards, Chapter 11 of the Code of Iowa, and the standards applicable to financial audits contained in Government Auditing Standards, issued by the Comptroller General of the United States.

Compliance

As part of obtaining reasonable assurance about whether OCEDC's financial statements are free of material misstatement, I performed tests of its compliance with certain provisions of laws, regulations, contracts and grants, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of my audit and, accordingly, I do not express such an opinion. The results of my tests disclosed no instances of noncompliance that are required to be reported under Government Auditing Standards. However, I noted certain immaterial instances of non-compliance that are described in the accompanying Schedule of Findings.

Comments involving statutory and other legal matters about the Commission's operations for the year ended June 30, 2004 are based exclusively on knowledge obtained from procedures performed during my audit of the financial statements of the Commission. Since my audit was based on tests and samples, not all transactions that might have had an impact on the comments were necessarily audited. The comments involving statutory and other legal matters are not intended to constitute legal interpretations of those statutes.

Internal Control Over Financial Reporting

In planning and performing my audit, I considered OCEDC's internal control over financial reporting in order to determine my auditing procedures for the purpose of expressing my opinion on the financial statements and not to provide assurance on the internal control over financial reporting. However, I noted certain matters involving the internal control over financial reporting and its operation that I consider to be reportable conditions. Reportable conditions involve matters coming to my attention relating to significant deficiencies in the design or operation of the internal control over financial reporting that, in my judgment, could adversely affect OCEDC's ability to record, process, summarize and report financial data consistent with the assertions of management in the financial statements. Reportable conditions are described in the accompanying Schedule of Findings.

A material weakness is a condition in which the design or operation of one or more of the internal control components does not reduce to a relatively low level the risk that misstatements in amounts that would be material in relation to the financial statements being audited may occur and not be detected within a timely period by employees in the normal course of performing their assigned functions. My consideration of the internal control over financial reporting would not necessarily disclose all matters in the internal control that might be reportable conditions and, accordingly, would not necessarily disclose all reportable conditions that are also considered to be material weaknesses. However, of the reportable conditions described above, I believe item 04-I-A is a material weakness. Prior year reportable conditions have been resolved except for Items 04-I-A.

This report, a matter of public record by law, is intended for the information and use of the officials, employees, and citizens of members of the Osceola County Economic Development Commission and other parties to whom the Osceola County Economic Development Commission may report. This report is not intended to be, and should not be, used by anyone other than these specified parties.

I would like to acknowledge the many courtesies and assistance extended to me by personnel of Osceola County Economic Development Commission during the course of my audit.

Should you have any questions concerning any of the above matters, I shall be pleased to discuss them with you at your convenience.

DAVID A. MASKE
Certified Public Accountant

November 16, 2004

OSCEOLA COUNTY ECONOMIC DEVELOPMENT COMMISSION

SCHEDULE OF FINDINGS YEAR ENDED JUNE 30, 2004

PART I: FINDINGS RELATED TO THE FINANCIAL STATEMENTS

INSTANCES OF NON-COMPLIANCE:

No matters were noted.

REPORTABLE CONDITIONS:

04-I-A Segregation of Duties - During my review of the internal control structure, the existing procedures are evaluated in order to determine that incompatible duties, from a control standpoint, are not performed by the same employee. This segregation of duties helps to prevent losses from employee error or dishonesty and therefore maximizes the accuracy of the Commission's financial statements. I noted a lack of segregation of duties over financial transactions, record-keeping, and reconciling functions.

Recommendation - I realize that with a limited number of office employees, segregation of duties is difficult. However, the OCEDC should review its control procedures to obtain the maximum internal control possible under the circumstances.

Response - We will investigate this and attempt to segregate duties when possible by utilizing existing personnel and independent persons to provide additional control through review of financial transactions and reports.

Conclusion - Response accepted.

PART II: OTHER FINDINGS RELATED TO REQUIRED STATUTORY REPORTING

04-II-A Official Depositories - A resolution naming official depositories has been adopted by the Commission. The maximum deposit amounts stated in the resolution were not exceeded during the year.

04-II-B Certified Budget - Disbursements during the year ended June 30, 2004, did not exceed the amount budgeted in total for the General Fund.

04-II-C Questionable Expenditures - No expenditures of Commission money for questionable expenditures were noted that may not meet the requirements of public purpose as defined in an Attorney General's opinion dated April 25, 1979.

04-II-D Travel Expense - No expenditures of Commission money for travel expenses of spouses of Commission officials or employees were noted.

04-II-E Business Transactions - No business transactions between the OCEDC and OCEDC officials or employees were noted.

04-II-F Bond Coverage - Surety bond coverage of OCEDC officials or employees is maintained by the Commission. The amount of coverage should be reviewed annually to ensure that coverage is adequate for current operations.

04-II-G Board Minutes - No transactions were found that we believe should have been approved in the Board of Director minutes but were not.

04-II-H Deposits and Investments - The Commission complied with the deposit and investment provisions of Chapter 12B and 12C of the Code of Iowa and the Commission's investment policy.